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In the Matter of _____)
Federal-State Joint Board on _____)
Universal Service _____)

CC Docket No. 96-45
DA 96-1078

COMMENTS OF
MFS COMMUNICATIONS COMPANY, INC.

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SUMMARY

As a long time proponent of universal service reform, MFS enthusiastically supports the Commission and Joint-Board's efforts to resolve the issues that stymie competition under the guise of "universal service." MFS recommends that universal service policies be compatible with the pro-competition policies of the Telecommunications Act, provide support that is fully portable among competitors, and be narrowly targeted to low income individuals who could not afford telephone services without assistance or carriers serving customers who live in high-cost areas.

Three major policies to advance universal service should be adopted:

- ▶ **Deployment of and Access to Advanced Telecommunications Services.**

Universal service should require the deployment of networks capable of providing high-speed access to advanced telecommunications services. MFS suggests two specific mechanisms to encourage such deployment and the competitive provision of high-speed, broadband services. First, the Commission should require that all local exchange carriers that draw any universal service support must meet the network standards required of rural telecommunications carriers by federal statute (loops capable of 1 Megabit transmission speeds and video services). Second, the Commission should require that incumbent local exchange carriers unbundle their local loops to allow users and competitors to derive high-speed, broadband access using unbundled end-to-end metallic connections. With unbundled metallic loops free of incumbent carriers'

electronics, competitors, customers and others can add the necessary hardware to configure such metallic loops to provide broadband services, and that competition will drive down the price and encourage deployment of broadband services more effectively than government-set prices or discounts. Such an unbundling will fulfill the Commission's obligation to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans," facilitate competition, and meet the needs of schools, libraries and rural health care providers for economical advanced telecommunications services.

- ▶ **Low Income Support.** The Commission and Joint-Board should retain the universal service support mechanisms that are targeted to low income individuals and individuals with special telecommunications needs, specifically Lifeline, Link Up and TRS support. If the Joint Board feels additional support is necessary for low income customers, it should enhance these programs.
- ▶ **High-Cost Support** High-cost support mechanisms (USF, DEM weighing and LTS) should be replaced with a high-cost support mechanism that is based on the forward-looking costs of an efficient competitor at a level of disaggregation, like census blocks, much smaller than the state-wide study areas used today. The embedded costs of the incumbent provider should not be used as the basis for universal service support. As a starting point, support should be limited to census block areas with proxy costs greater than 130% of the national average and average household incomes less than 130% of the national average

income. Total high-cost support should be no larger than is presently provided under existing high-cost support mechanisms and should not be based on a carrier's individual costs (if any) of upgrading its network or offering unbundled loop capabilities.

Universal service support should attach to customers and not the carrier. That is, universal service support should be reflected as credits on the bills of low income customers and customers living in high costs areas. For example, if an eligible (*i.e.*, low income or high-cost) customer chooses a wireless provider or any landline carrier, the carrier selected by the customer should receive the universal service support designated for that customer. Any carrier that provides basic service to low income customers or customers who live in high cost service areas should receive universal service support on a per-customer basis irrespective of the type of technology the carrier uses to provide basic service or the price of the basic service. Thus, ultimately, the Commission would not explicitly set "affordable" prices for universal service, and the support that a carrier receives would depend on the number of eligible customers the carrier actually serves. While all telecommunications carriers should contribute to universal service support, contributions to low income and high-cost universal service support should be based on telecommunications carriers' common carrier revenues less payments to intermediaries.

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**COMMENTS OF
MFS COMMUNICATIONS COMPANY, INC.**

MFS Communications Company, Inc. ("MFS"), by its undersigned counsel and pursuant to Section 1.415 of the Commission's rules, submits these comments in response to the Common Carrier Bureau's request for further comment on specific questions in the above captioned proceeding^{1/} released on July 3, 1996. The comments that follow respond specifically to the questions raised in the Common Carrier Bureau's request.

^{1/} Federal State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board, CC Docket 96-45 (released March 8, 1996) ("Universal Service Notice")

I. DEFINITIONS ISSUES

1. ***It is appropriate to assume that current rates for services included within the definition of universal service are affordable, despite variations among companies and service areas?***

With the exception of low income customers, the availability of telephones to more than 95 percent of the population indicates that price variations have not made telephone service "unaffordable." Indeed, it would be entirely inconsistent with the intent of the Telecommunications Act to "provide for a pro-competitive, de-regulatory national policy framework" if "affordable" in Section 254(b)(1) was interpreted to require government-mandated nationally uniform prices. In a competitive market, prices are not uniform or set by government, but vary according to product features and costs. For example, the price of television sets is not uniform, and that lack of uniformity has not created a perception that televisions are "unaffordable" nor deterred the near universal penetration of television sets throughout the United States.

As MFS argued in its initial comments, the Commission and Joint Board need not set a national affordable price to determine the size of a universal service fund. MFS recommends that the Commission and Joint Board ensure that the barriers to competition and market entry are eliminated, and allow market forces to determine prices. With the introduction of competition, prices fell in the long distance market, the cable television market, the CPE market, and virtually every other market that introduced market mechanisms. The same will likely be true for the price of local

telephone service as competition emerges. In its survey of universal service support mechanisms, the Commission Staff summarized the role of competition in promoting universal service.

New entrants in local telecommunications markets have strong incentives to develop and implement cost-efficient technology, creating pressure for the incumbent service provider to lower prices and improve service capabilities. Effective local service competition thus can promote universal service by stimulating technological advancement, lower prices, and marketing innovation. The Commission has already observed that prices are lower in cable television markets subject to competition and expects the entry of competitive access providers to lead to lower access prices in telephone markets.^{2/}

As the Commission and the Joint Board develop universal service policies, they should not fall victim to the Cassandras who claim that competition threatens universal service by threatening the level of local service rates. It is often asserted that local rates are set below costs and that competition will invariably increase local rates to a cost based level that is unaffordable, and therefore an extraordinary universal service support mechanism is required to maintain affordable rates. That claim obviously flies in the face of real world experience with competition -- competition has reduced prices and increased consumer choices in virtually every market that has replaced regulated monopolies with competition. It is economically bizarre to argue that competition will result in substantially higher local service rates.

^{2/} Common Carrier Bureau, *Preparing for Addressing Universal Service Issues: A Review of Current Interstate Support Mechanisms*, pg. 26 (Feb. 23, 1996) ("Universal Service Survey") [emphasis added, footnotes omitted].

However, even if one accepts the argument that current prices are set below costs the introduction of competition may not result in an increase of local service prices to costs in at least three instances:

- (1) When a firm adds telephone service to an existing product line (e.g., cable television service) it may not need to price local service at the stand-alone costs, but rather at the much lower incremental costs of adding telephone service;
- (2) In order to have the opportunity to sell related services (e.g., long distance service, vertical services, video services, information services) to customers a firm may offer local telephone service below costs to attract customers; and,
- (3) a firm may have to price below its own embedded costs to match the price of the most efficient competitor.

As the Commission Staff described in its Universal Service Survey, new entrants may be adding local telephone service to cable television service, electric utility service, or adjoining local exchange services.^{3/} In such circumstances, adding local telephone service to an existing product line (like cable television service or electric service) may cost far less than the stand-alone costs of the incumbent local telephone company. Also, a vertically integrated firm may offer local telephone service at or below cost for the opportunity to market and bundle long distance services, vertical services, information services, video services, and/or telephone equipment with the

^{3/} Universal Service Survey at pp. 28-29.

"subsidized" local telephone service. In the competitive wireless industry, for example, cellular providers often give away or sell for a nominal amount cellular phones costing hundreds of dollars in order to have the opportunity to market other services to customers. In an interview in *Wired*, Bell Atlantic's chief executive officer, Raymond Smith applied this same pricing principle to telephone service when he predicted, "I can envision one day offering various packages of services. And one of them might be a package of video and interactive services in which the customer also gets phone service for another two or three bucks."^{4/} Obviously, it is not sensible public policy to develop universal service support programs to subsidize such market-driven offerings.

As a matter of basic economic theory, in a competitive market the price of service will equilibrate at a level based on the costs of the most efficient service provider. If it costs an incumbent provider \$25 per line per month to provide service, but a new entrant using a more modern network, a different collection of services (e.g., telephone service and electric service) or wireless facilities can provide service at a lower cost, say \$15 per line per month, the market price will equilibrate at a cost-based level of \$15 and not \$25. In a competitive environment, the incumbent provider must emulate the efficiencies of its competitors to remain profitable. Certainly, affordable rates should not be defined in a manner that seeks to preserve the inefficiencies of the incumbent providers or guarantee their revenues in a competitive market.

^{4/} D. Kline, *Align and Conquer*, 3.02 WIRED 100, 164 (Feb. 1995).

There are individuals who could not afford telephone service without assistance, and there are high-cost service areas where telephone service would be unaffordable if consumers paid a market-driven price. The Commission and Joint-Board should identify the high-cost service areas and low income individuals that ought to be subsidized and fix the amount of universal service support targeted to yield affordable rates for those customers rather than seeking to set and maintain a national "affordable" price.

2. *To what extent should non-rate factors, such as subscribership level, telephone expenditures as a percentage of income, cost of living, or local calling area size be considered in determining the affordability and reasonable comparability of rates?*

Individual income levels should continue to be used as the basis for assistance programs such as Lifeline and Link Up, and those programs should continue to be an integral part of the Commission's universal service support mechanisms. However, universal service support beyond Lifeline and Link Up should be limited to support for customers living in high-cost service areas. Specifically, MFS suggests that support be limited to areas where the proxy cost of providing local telephone service is more than 130% of the national average proxy cost. The amount of support provided should not depend on the prices that individual carriers charge for their version of local service, but rather, should be calculated as the difference between the per line proxy cost of

serving a high-cost area and 130% of the national average proxy cost per line. The support should follow the customer, and thus, be available to whatever carrier or service the customer selects. If a customer chooses to subscribe to local service that is more expensive than the basic package offered by another carrier, the amount of support provided would be identical. Using proxy costs to determine universal service support rather than an analysis of prices eliminates the need to become mired in service and rate comparisons.

In defining high-cost areas eligible for universal service support, MFS suggests that census block household average incomes be used to limit subsidies in affluent areas. For example, Jackson Hole Wyoming may be a high-cost service area, but the incomes of residents are generally high and it is unreasonable to believe that they would drop off the network if required to pay cost-based competitive rates. By using census blocks to develop proxy costs, it is possible to match household incomes with proxy costs. MFS suggests that no support be available in census blocks where household average income exceeds 130% of the national average regardless of proxy costs.

High-cost universal service support should be capped at the existing high-cost support levels. In 1996 the federal Universal Service Fund ("USF") is estimated to generate \$734.6 million, DEM ("Dial Equipment Minutes") weighting is estimated to

generate about \$311 million^{5/} There is no reason to expect that support for high-cost areas will exceed this level in a competitive market since that level of support has been adequate to advance universal service in a monopoly environment. Thus, a proxy cost model should be used to determine the size of the high-cost support fund subject to the aggregate cap. If the proxy cost model yields costs larger than the cap, then it should be used to apportion the capped high-cost support funds to be distributed to customers of firms that serve high-cost areas.

This revised high-cost universal service funding mechanism would flow directly to users in addition to existing programs aimed to providing subsidized service to low income customers, namely Lifeline and Link Up. There is no compelling reason to modify these existing programs as they already provide a mechanism that targets support to low income individuals.

When low income customers live in high-cost census blocks, it is entirely appropriate that both support mechanisms apply (Lifeline, Link Up and any high-cost support). There may be limited instances where low income customers live in census blocks that have high costs but are ineligible for assistance because the census block has high average household incomes. In such instances, the Commission and Joint Board can and should provide supplemental support for the low income individuals, but such instances should be rare since census block contain only about 400 households.

^{5/} Universal Service Survey at pp. 53, 66 (1995 estimate for DEM weighting).

The Joint Board and Commission should also consider a sliding scale for Lifeline discounts.

3. When making the “affordability” determination required by Section 254(i) of the Act, what are the advantages and disadvantages of using a specific national benchmark rate for core services in a proxy model?

As described above, universal service support should not incorporate an explicit national benchmark price in a proxy cost model, but support mechanisms should use the proxy cost model to identify high-cost areas, and develop support based on the difference between an area's proxy cost and 130% of the national average proxy cost. Under MFS's proposal, affordable rates would not be determined by explicitly setting a national rate, but by providing low income customers and customers living in high-cost areas with support that they could apply to whatever local services they decided to purchase. For customers living in high-cost areas, their support would be the high cost differential for their census block. For low income customers, their support would be the Lifeline and Link Up support for which they qualify. Low income customers in high cost areas would receive both. Affordable rates would be defined as the range of competitive rates charged to customers in each census block for the services they choose less the high-cost support and/or the Lifeline and Link Up subsidies that serving carriers receive on behalf of supported customers.

Mathematically, there is little difference between picking a national benchmark price and picking a threshold proxy cost. If national average proxy costs are \$20 a line, under MFS's proposal, universal service support would be provided in areas with costs greater than \$26 (\$20 times 130%) a line. Obviously, that is mathematically equivalent to selecting a national benchmark price of \$26. The advantage of using proxy costs to set the cost threshold is that the threshold is easier to justify than ruminations about what price should be considered affordable. For example, the cost threshold could be set to include the 5, 10 or 15 percent of the most costly service territories.^{6/}

For example, using a census block based approach, the national average loop cost might be calculated as \$9.98 a month. Using MFS's recommendation, census blocks would not be eligible for high-cost support unless their costs exceeded \$12.97 a month (\$9.98 times 130%). Suppose further that that threshold affects about 20% of residential customers included in the model (18.8 million households out of 92 million), and requires aggregate support of about \$4.0 billion. However, to the extent that the \$4.0 billion of universal service support is greater than existing high-cost support (*i.e.*, the sum of the USF, DEM weighting, and other high-cost support mechanisms), the proxy cost model would be used to distribute the sum of existing high-cost support.

^{6/} Because the proxy cost models submitted in this proceeding develop cost data for all census blocks, the standard deviation of census block costs could be easily be used to set the appropriate threshold percentage to identify the most costly 5, 10 or 15 percent of census blocks.

The rationale for this approach is that high-cost support should not exceed current levels since current levels have resulted in affordable prices that yielded penetration levels in excess of 95 percent.

In the short term, regulating the level of local service rates should continue to be the responsibility of state regulators who have historically ensured that local rates are "affordable." In the longer term, local competition will regulate rates. Because "affordability" can vary from location to location, the Commission and the Joint-Board should not become mired in trying to determine a national standard for "affordable" local service prices.^{7/} If universal service support is based solely on the difference between proxy costs and 100% of the national average costs, there is no need to wrestle with what constitutes "affordable" local service rates.

4. What are the effects on competition if a carrier is denied universal service support because it is technically infeasible for that carrier to provide one or more of the core services?

The core services listed by the Commission in its Universal Service Notice and endorsed by virtually all commentors^{8/} are minimal services that should not preclude

^{7/} Universal Service Notice at ¶¶ 25-26.

^{8/} There was agreement that core services include: (1) access to the public switched network with the ability to place and receive voice grade calls; (2) touch-tone services; (3) single party service; (4) access to emergency services (911); and (5) access to
(continued...)

entry by many, if any, competitors. MFS strongly urges that this list be supplemented with a condition that local carriers would be eligible to receive universal service support credited to their eligible customers only if they provided local distribution networks (*i.e.*, loops) that meet the standards presently applied to rural telephone companies (*i.e.*, capable of 1Mb of data or video transmission).^{9/} As required by the Telecommunications Act, incumbent carriers would also have to make available unbundled access to their loop components so that customers and competitors could add the appropriate electronics to the unbundled loops to derive high-speed, broadband access. Such high-speed capabilities are not an impediment to competition, but rather, enhance the competitive deployment of broadband, high-speed services mandated by the Telecommunications Act.

-
5. ***A number of commenters proposed various services to be included on the list of supported services, including access to directory assistance, emergency assistance, and advanced services, although the delivery of these services may require a local loop, do loop costs accurately represent the actual cost of providing core services? To the extent that loop costs do not fully represent the costs associated with including a service in the***

(...continued)

operator services. Universal Service Notice at ¶ 16.

^{9/} Whichever benchmark cost model the Joint Board chooses to use may need to be modified to reflect the costs of the loop transmission standard imposed on rural carriers.

definition of core services, identify and quantify other costs to be considered.

Under MFS's proposal, for the purpose of calculating universal service support, the costs of these services should not be included in loop costs unless the costs of providing these services varies by census block. For example, if it costs \$1 per line per month for all census blocks to provide 911 service, then the \$1 of costs associated with 911 service affect all census blocks equally, and does not contribute to making a census block a high-cost area. If the national average loop cost is \$29.98 without 911, then the threshold cost level under MFS's proposal is \$38.97 without 911; including \$1 of 911 costs simply raises the average loop cost by \$1 and the threshold cost by 30¢.

The obligation to provide 911 and Directory Assistance services likely will fall ultimately on all carriers. The opportunity to provide advanced services will be one characteristic that will distinguish competing carriers. Costs related to these services should not be reflected in loop costs.

II. SCHOOLS, LIBRARIES, HEALTH CARE PROVIDERS

6. *Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all available services?*

MFS believes that its universal service proposal requiring deployment of high-speed networks that conform with the statutory requirements for rural telephone providers (see responses to Questions 4 and 8, above and below) and the unbundled provision of loop components will better meet the needs of schools, libraries and rural health care providers than government-mandated discounts on existing telecommunication services. It is important to emphasize that discounts are not mandated by the Telecommunications Act, but may be implemented at the Commission's discretion. The Act requires that:

- (1) The Commission may designate additional services for universal service support for schools, libraries and health care providers.^{10/}

^{10/} 47 U.S.C. § 254(c)(3)

- (2) With regards to educational providers, the Commission (and the States) shall set the discount that it "determine[s] is appropriate and necessary to ensure affordable access to and use of such services by such entities."^{11/}
- (3) With respect to rural health care providers, rural health care providers are entitled to receive service at rates that are "reasonably comparable to rates charged for similar services in urban areas in that State."^{12/}
- (4) With respect to the provision of advanced services to, the Commission is directed to establish competitive neutral rules "to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and non-profit elementary and secondary school classrooms, health care providers, and libraries."^{13/}

Thus, the Commission may decide, as a policy matter, not to designate additional services for educational institutions or health care providers as eligible for universal service support. It may also decide, as a matter of policy, that a discount is unnecessary to ensure affordable access to and use of such additional, advanced services. For example, the cost of computers, inside wiring, software and training may

^{11/} 47 U.S.C. § 254(h)(1) (B).

^{12/} 47 U.S.C. § 254(h)(1) (A).

^{13/} 47 U.S.C. § 254(h)(2) (A).

be many times higher than the price of the telecommunications services. A discount on a telephone line may do nothing to promote use of the Internet if a school cannot afford computers, training and ancillary facilities.

The Commission is also required to ensure that the provision of access to enhanced services for schools, libraries and health care providers is competitively neutral. If the Commission decides that deep discounts for the telecommunications services provided to schools, libraries and health care providers is not competitively neutral, it may decide to (and should) develop a different mechanism for assuring that schools, libraries and health care providers have access to advanced telecommunications services. The Joint Board and the Commission should note that several local carriers and cable television companies have announced programs to provide such services to all schools. Also, at least one interexchange carrier has offered 800 service access to the Internet for only \$5 per hour. No special action by regulators may be required.

-
7. ***Does Section 254(h) contemplate that inside wiring or other internal connections to classrooms may be eligible for universal service support of telecommunications services provided to schools and libraries? If so, what is the estimated cost of the inside wiring and other internal connections?***

No. Section 254(h) requires telecommunications carriers to provide "any of its services that are within the definition of universal service under subsection (c)(3)," and

subsection (c)(3) allows the Commission to "designate additional services for such support mechanisms for schools, libraries, and health care providers." The Telecommunications Act distinguishes between telecommunications services, telecommunications facilities, and customer premises equipment.^{14/} The inside wiring or other internal connections are either telecommunications equipment or customer premise equipment, neither of which are services. The universal service provisions of Section 254 address services and do not authorize the Commission to subsidize the provision of telecommunications equipment or customer premises equipment.

8. To what extent should the provisions of Sections 706 and 708 be considered by the Joint Board and be relied upon to provide advanced services to schools, libraries and health care providers?

Sections 706 and 708 complement the universal service provisions that focus on providing advanced telecommunication services to schools, libraries and health care providers, but extend the provision of advanced services to all Americans. In a sense, Sections 706 and 708 extend the definition of universal service to include access to advanced telecommunications services. In the comments filed in response to the Universal Service Notice, a large number of commentators observed that economical access to high-speed, broadband transmission capabilities (such as ISDN, T1

^{14/} 47 U.S.C. § 153(14) (customer premises equipment), (45) (telecommunications equipment) and (46) (telecommunications services).

connections, video transmission capabilities, high-speed Internet connections, etc.) and less exotic capabilities for Group III facsimile and modern computer modems are essential to provide schools, libraries and rural health care providers with adequate access to advanced communications services.^{15/} Indeed, such high-speed, broadband

^{15/} Access to Communications for Education Coalition Comments at pg. 7; State of Alaska Comments at pp. 10-13; Alaska Library Association Comments at pg. 3; Alaska Public Utilities Commission Comments at pp. 1-6 (28.8Kb should be minimum speed); Alaska Telephone Association Comments at pp. 2-3 (ISDN); America's Carriers Telecommunications Association at pg. 6; American Association of Community Colleges and the Association of Community College Trustees Comments at pp. 10-12 (T1 access, Internet connectivity); American College of Nurse Practitioners Comments at p. 2 (ISDN); American Library Association Comments at pp. 4, 9-12; American Telemedicine Association Comments at pg. 7 (112Kb should be minimum); Ameritech Comments at pp. 14-15; Apple Computer Comments at p. 4 (bandwidths ranging from 128Kb to 45Mb should be made available); BellSouth Comments at pg. 19 (DS1 or 1.544Mb for schools); California Department of Consumer Affairs Comments at pg. 22; California Library Association Comments at pg. 3; Governor of Guam Comments at pp. 7, 10 (ISDN, access to NII); Idaho Public Utilities Commission Comments at pg. 11 (providers should contribute access to the Internet); Iowa Communications Network Comments at pg. 2; Iowa Utilities Board Comments at pg. 2; Kinkos, Inc. Comments at pp. 3-6 (community Internet access should be part of universal service); Lincoln Trail Libraries System Comments at pg. 1; Commonwealth of Massachusetts Board of Library Commissioners Comments at pg. 4; Merit Network, Inc. Comments at pp. 2-3 (ISDN, T1 access); Library of Michigan Comments at pg. 4 (ATM, broadband access); Michigan Library Association Comments at pg. 5 (ATM, broadband access); State of Missouri Comments at pp. 1-3 (Internet, teleconferencing capabilities); Mountaineer Doctor Television Telemedicine Program at West Virginia University (T-1 access, ISDN, ATM); National School Boards Association et al. Comments at pp. 13-14, Appendix I (unbundled broadband switching and transmission capable of delivering high-quality video); Nebraska Association of Hospitals and Health Systems Comments at pg. 1 (384Kb minimum, 1.544Mb more likely); New York State Board of Regents and New York Education Department Comments at pg. 11 (broadband on demand); North of Boston Library Exchange, Inc. Comments at pg. 1 (T-1, T-3 access); North Dakota Department of Health Comments at pg. 1 (ISDN); Oakland Unified School District
(continued...)

access is desirable for all (business and residential customers) who wish access to advanced telecommunications services. Voice grade local loops provide an inadequate basis for addressing such needs.

In lieu of developing market distorting, complex systems of subsidies for broadband services for just schools, libraries and health care providers, in its reply comments MFS suggested two mechanisms for addressing the needs of those who demand access to broadband services. First, the Commission and Joint-Board should require that all local exchange carriers meet the federal network standards required of rural telecommunications carriers. As an eligibility requirement for federal rural utility loans, Congress and 30 state telecommunications modernization plans already impose more stringent network standards on rural telephone companies that should be applied to all telecommunications carriers as a condition to receive reimbursement for universal service funding credited to their customers. Second, the Commission and Joint Board should require that incumbent local exchange carriers unbundle their local loops to allow users and competitors to derive high-speed, broadband access using end-to-end metallic connections. By simply requiring incumbent local exchange carriers to unbundle their local loops in a manner that allows users to derive high-speed,

(...continued)

Comments at pp. 10, 13 (T-1 access); Pacific Telesis Comments at pp. 3-6, 8-11 (ISDN provided to schools); U.S. Distance Learning Association Comments at pp. 9-12; US West Comments at pp. 21-23 (56/64Kb on request); and State of Wisconsin Department of Public Instruction Comments at pg. 1

broadband access, the Commission will meet the advanced services needs of schools, libraries and rural health care providers, fulfill its obligations to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans,"^{16/} and, fulfill one of the unbundling requirements of the Telecommunications Act. Thus, MFS's proposal develops a competitive mechanism for providing access to broadband services to all Americans (as required under Section 706) and not just schools, libraries and health care providers.

As the Commission Staff described in its review of universal service support mechanisms,^{17/} the Rural Electrification Loan Restructuring Act of 1993^{18/} requires state public utility commissions or borrowers to develop network modernization plans as a prerequisite for otherwise eligible carriers to receive federally subsidized loans for telecommunications utilities. The Act specifically requires that

a telecommunication modernization plan must, at a minimum, meet the following objectives

- (i) The plan must provide for the elimination of party service.
- (ii) The plan must provide for the availability of telecommunications services for improved business, educational, and medical services.
- (iii) The plan must encourage and improve computer networks and information highways for subscribers in rural areas.
- (iv) The plan must provide for --

^{16/} 47 U.S.C. §706(a).

^{17/} Universal Service Survey at pp. 78-89.

^{18/} 107 Stat. 1356, codified in 7 U.S.C. § 935 (1994).